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MESSAGE

of

Governor J. Hugo Aronson

to the

Thirty-fourth Legislative Assembly

of the

STATE OF MONTANA

1955

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GOVERNOR'S MESSAGE

Mr. President, Mr. Speaker, and Members of the 34th Legislative Assembly:

My theme song two years ago when I had the great privilege of delivering my first message was:

WHAT IS BEST FOR MONTANA.

I further stated that:

WE CAN AND MUST SUBSTITUTE BUSINESS FOR POLITICS.

In outlining the job ahead, there was this three-fold objective:

First, we must make the appropriations and provide the legislative machinery to keep the wheels of government in operation for the next two years;

Second, we must correct any evils which may exist; and

Third, we must build for the future.

Let me repeat a statement made at that time: "As we set out to accomplish our objectives we must stamp out any spirit of vindictiveness. Our examination of what has happened should be with a view of gathering from the experience of yesterday something constructive for tomorrow, as well as the months and years ahead."

Certainly we must respect and face the facts and again make a decision similar to the one you Legislators made two years ago when you did make appropriations so that Montana was able to live within its income.

I HAVE EVERY CONFIDENCE THAT YOU WILL BALANCE THE BUDGET.

IT CAN AND MUST BE DONE.

In building for the future, we must correct evils which exist.

GOOD GOVERNMENT, IN ORDER TO SURVIVE, HAS TO BE AN HONEST GOVERNMENT.

There must not be inequalities in taxation or in the distribution of taxes.

Some of you, as well as a lot of people in Montana, are going to be shocked and surprised when I make the statement that practically every Montanan who pays personal or property taxes doesn't truthfully report the actual value as required by law. The reason we do not truthfully report actual values is because of custom, because we do not wish to pay more than the other fellow, or because we do not have a schedule on other property like we do on automobiles.

Let me further state that there are not only inequalities within counties, but there are glaring inequalities as between counties. If our laws are wrong they should be repealed and workable ones substituted; but as long as these laws remain on the statute books, it is the duty of the Governor, the Board of Equalization, County Assessors, County Commissioners, and other public officials, to enforce them. To my notion, THE BOARD OF EQUALIZATION, WITHIN THE LAST TWO YEARS, HAS DONE A JOB OF CLOSING LOOPHOLES WHICH HAS NEVER BEEN EQUALED. The Board and its staff has compiled facts and figures which I think should be brought to the attention of not only the regular committees, but to each and every Senator and Representative.

If I may do so Mr. President, and Mr. Speaker, I respectfully request that your Honorable Bodies either hold another joint session within the next day or so at which time the Board of Equalization might present its complete story or in such manner as your bodies determine. This will give you an opportunity to dig into this problem in order that the misunderstandings, misconceptions and propaganda might be corrected.

From what I have heard these last few days, I know that many of you are ready and willing to reject this proposal although you do not have all of the facts. It is my firm belief that many of you will take a different view as these facts come to life.

For instance, a good index is the ratio of gas tax refunds, 2.77% or $2,358,219, in 1954 to farm machinery assessments of $85,058,470. There is no reason why the ratio should be 1.6% in Chouteau County and 23% in Deer Lodge County.

Neither should the ratio between sales and assessments of city and town lots and improvements in 29 counties average 27%. Rural property in the same 29 counties averages 28%.

The variation between counties ranges from 18% to 38% for city and town lots and 8.4% to 44% for rural property in these 29 counties.

DOES ANYONE THINK the value of non-irrigated, tillable land has dropped from $13.00 per acre in 1929 to $8.37 in 1954? Would you think the value of this type of land in Rosebud County increased 38%, while in Wheatland County it decreased 71%?

OR DO YOU SUPPOSE grazing land values dropped from $4.58 in 1929 to $2.66 an acre in 1954. During that period, Stillwater County grazing land increased in value 9%, while that in Wibaux County decreased 70%.

WOULD YOU THINK the value of household furniture and equipment averages less than $85 per person in Montana? Would the people of Liberty County have an average of $205 per person while in Silver Bow County it is less than $22 per person?

WHY do the assessment rolls list only 77% of the cattle shown in the census for 1954, and only 74% of the sheep? Golden Valley County's ratio is 83% of the cattle and Carbon County's 85% of the sheep, while Richland County is lowest in percentage with 70% of the cattle and 51% of the sheep.

HOW can we allocate school and welfare funds equitably if the assessments vary in such proportions as I have listed, and these are but a few examples.

One thing is certain. YOUR GOVERNOR AND THE BOARD OF EQUALIZATION *DO NOT* FAVOR INCREASED PROPERTY TAXATION. Any student of Montana Legislative action knows that when the income tax legislation was adopted, the purpose was to shift the tax burden from property.

Despite the fact that appropriation requests, NOW more than $68,000,000, likely will reach $70,000,000 when the appropriations should not exceed $45,000,000, it is my opinion that by sound thinking and hard work, we can come out of this Legislative Session with a sensible program and a balanced budget.

The State of Montana has not levied for state purposes the two-mill levy for many years, and I HOPE that it never will.

Then, too, in my opinion, the State of Montana should provide from state funds sufficient revenues equivalent to the present six-mill levy for the University units and the mill and one-half levy which will be required to meet the obligations for the new bond issues at Warm Springs and Boulder. We, in Montana, are getting into a position where we are robbing Peter to pay Paul. We are shifting a state responsibility back on the property tax, and at the

same time making a state function of a local responsibility. It is my firm conviction that this Legislature is at the crossroads with regard to school finances.

My recommendation for your consideration is that the State accept as its obligation the University responsibility and return to the counties and school districts the major responsibility for elementary and secondary education.

I could hardly believe it when the State Controller's report indicated that the requests for General Fund Appropriations to the State Public School Equalization Fund for 1955-1956 and 1956-1957 totaled $16,500,000, and that the request for University units totaled $19,000,000 for this same period. Other requests for education appropriations totaled more than $820,000, which would bring the total requests for state appropriations for education to an amount in excess of $36,000,000, of the total of $68,500,000.

This $16,500,000 for the State Public School Equalization Fund does not include the schools' 25% of the income tax and corporation license tax, as well as the state's portion of the U. S. Oil and Gas royalties, the three of which combined are estimated to be in excess of $2,000,000 annually; nor does it include the receipts from the school lands which probably will exceed $4,500,000 per year. For the biennium, the total would be $13,000,000. These together with the $16,500,000 which is requested from the General Fund total $29,500,000. There is no doubt that with wise and sensible management of our public lands and with an expanding economy, the state income to the schools can be increased, but it does seem to me that the shifting of responsibility of school management and school financing from a local to a state level is not sound.

After all, the fundamental foundation of our American way of life rests on the home, the church, and the school. It is my opinion that increasing state aid is just providing the door opener for the next step — Federal aid. I believe in improving schools and education opportunities but I think the heritage that we must leave the coming generations must be one based on common sense. That is why it seems imperative that this Legislative Assembly starts work immediately on the problem of honest and equitable taxation as well as honest and equitable distribution of the tax dollar.

At this point, I state for the record that I AM OPPOSED TO A SALES TAX which has been suggested as a means of increasing revenue. You legislators can trim budgets and appropriation requests where they should be trimmed, and you can provide

adequately where the need is evident; but as you examine the requests, I think you will agree with me that this upsurge of demands for education gives cause for close examination.

In our efforts to provide for honest and equitable taxation and tax dollar distribution WE WANT NO SPECIAL PRIVILEGE for any individual, group or corporation. Neither do we want to impose unfair penalties and practices. Our job is to balance the scales. To me it is most regrettable that hobbles have been placed on development of state lands in the Williston Basin and the older Montana oil fields. The recent decision of our Montana Supreme Court not only clouds the issue in Montana, but also puts a question mark on leases of state lands in North and South Dakota, the other states in the Williston Basin. Their laws, similar to the Montana statute declared unconstitutional were enacted under the same provisions of the amended Congressional enabling act.

Certainly there is grave doubt as to the validity of making oil and gas leases on state lands under present conditions. I am advised an appeal to the United States Supreme Court is contemplated by interested parties, particularly since the Montana Supreme Court took several months before reaching a split decision.

The inability to offer leases comparable to those granted by the Federal Government, all of the oil producing states and private land owners, has resulted in the loss during 1953 and 1954 of millions of dollars to our School funds.

Much of this income would have been due to speculation. But the speculative inducement has been lost now by reason of abandonment of large tracts due to dry holes and discouraging geophysical developments. Let us hope there shortly will be a definite and final decision to settle the matter. The schools need additional revenue, but Montana needs development now and in the future. It will take millions before the real producing fields are outlined in the Williston Basin but real dividends already are evident.

Another great disappointment was the Supreme Court's decision invalidating the legislation setting up a non-partisan Montana Legislative Research Council. Less than a month ago I attended several sessions of the Council of State Governments, of which I am a member of the Board of Managers. At this meeting were representatives from all states, the great majority of whom were legislators. Certainly there must be some means devised where research can be carried on which will provide information for constructive deliberations.

Then, too, Montana should not be a charity member of the

Council of State Governments. It should be a full-fledged member and adequate appropriations should be provided for this purpose. The Montana assessment of less than $2,500 annually, a small sum when it is realized that this makes available the benefit of priceless research on all problems. For instance, the subjects discussed at the December meeting were Highways, Tax and Fiscal Policy, Education, Mental Health, Problems of the Aging, and Water Policy.

Industry and the Federal Government certainly recognize the importance of adequate research. States must keep pace.

Tax equalization, property classification, highway financing, education, elimination of duplication, governmental reorganization — these are but a few of the problems. It doesn't make sense that a legislator, one who recognizes his responsibility to his state and his home county, should be barred from participation in this important study.

HOW ELSE can we substitute business for politics?

Neither should the Governor's appropriations be so pinched that we cannot participate in a research and analysis program.

An example of what research can do will be demonstrated within a short time when you have an opportunity to hear the report of the State Board of Forestry, the Forestry Advisory Commission, and your State Forester. These individuals have made a sensible approach to the problem of protecting a resource, which by their analysis has been found to have a value of $60,000,000, practically four times what it had previously been valued.

The program of conservation and management is sound and sensible, and I am sure you will give it the consideration it deserves.

In my message two years ago I stated that "our water, our minerals, our timber, our magnetic scenery — these are the assets we must conserve wisely and develop soundly. Coupled with their development we must ever seek to expand our processing, manufacturing, trade and tourist facilities. Nor, should we overlook the vital importance of good relations with our neighbors in adjacent Canada and the states. We can be thankful that the two great national parks, Glacier and Yellowstone, are of such great benefit to our economy. Every effort should be made to expand and advertise our tourist attractions to induce more tourists to visit Montana and to stay longer.

"Water is our greatest heritage. Through legislation and by decrees of courts, water rights are established and determined by

priority of use. We must be diligent and protect our rights, so that there is available to coming generations sufficient water for all possible development for irrigation of our lands and for domestic and industrial purposes. We should plan wisely and should cooperate with the other states of the Missouri and Columbia River basins toward sound programs safeguarding Montana's right to all water that may be required for the future development of the state."

In the past two years the Columbia River Compact Commission has worked hard to try and find an equitable solution to put into a compact. They have discussed it with the various states as well as Federal departments, and undoubtedly the Montana members will have a proposal for our sincere consideration. In addition to the work of the Compact Commission, the Governor, the Water Board and the State Engineer, have worked diligently to keep pace with developments of both the Columbia Basin and Missouri Basin Inter-Agency Committee, the Pacific Northwest Power Policy Committee, and the Missouri Basin States Governors' Committee. We are endeavoring to insure our rights to use the Waterton and Belly rivers for potential irrigation of a large area in Northern Montana. We are working to get the Libby Dam project started and are urging early action for the Yellowtail and Moorhead Dams in Eastern Montana.

Consideration should be given to the suggestion that an underground water code be adopted. We must never relax our efforts to encourage and promote higher standards for our rural residents nor should we diminish the splendid work of the Montana Water Conservation Board in the past twenty years.

The recommendations of the Fish and Game Commission, particularly to minimize the menace to the state's farm economy where expanding numbers of game have been a real source of trouble and damage, whether the non-resident hunting license should be liberalized and the proposed changes of the Montana game laws as recommended by the Governor's Recodification Committee, deserve careful consideration.

Tourist income within a few years will be a business which will bring to Montana in excess of 100 million dollars annually. Certainly we should provide an adequate appropriation for the Advertising Department.

The excellent program of development of our State Parks, the unexcelled progress which has been made in the development of the Historical Library and the upsurge of private initiative to pro-

vide tourist attraction facilities, all combine to give us real hope that we can keep this important segment of our economy on an expanded basis.

There is a possibility that the Governors' Conference in 1956 might be held at Glacier Park, and I hope to discuss this some time in the next week or so with your committees.

I wish time would permit me to detail to you the need for review and consideration of the proposals as well as the splendid work of such departments as the Departments of Public Welfare, Agriculture, and Labor, the individual Custodial Institutions, the Unemployment Compensation Commission, the State Examiner, State Controller, Industrial Accident Board, the Department of Vocational Rehabilitation, the State Land Board, Veterans' Welfare and the Liquor Control Board. Civil Defense is proving its value and has become a must because of the Red Menace and the danger of hydrogen bombs.

Improvements in the fields of Unemployment Insurance and Workmen's Compensation should receive attention. Each Department will give you detailed information relative to the programs and the recommendations of the Federal Agencies. Then, too, Labor and Management will have proposals for your consideration.

Also I believe State, County and Municipal employee retirement, Social Security and per diem should be studied.

Since the Board of Health and Livestock-Sanitary Board have asked for such substantial increases in appropriations, it is imperative their programs be scrutinized in detail. The financial and accomplishment record of the Department of Public Welfare has been outstanding. So has that of the Oil and Gas Conservation Commission. By your direction, a report has been prepared of the underground gas storage problem for your consideration.

The Governor and his staff, likewise the Controller, do not have facilities to make the investigations and analyze the budget requests as they should be, which makes it absolutely necessary for the Legislative Committees to examine all appropriation requests. In order to keep word with you, particularly the members of the Senate Finance and Claims Committee, and the House Appropriations Committee, I want to advise that there will be no request for a deficiency appropriation from the Governor's office. It is imperative that all appropriations be scrutinized on the basis of responsibility and the job to be done.

Several times during the past year I have met with the Per-

sonnel Commission and reviewed with them the material which they have for your consideration. It merits individual study by the legislators and certainly the reports and recommendations of the Commission should be thoroughly studied and analyzed by appropriate or special committees.

Incidentally, while I am referring to special committees, again it might be advisable to have special committees visit some of the custodial institutions, as they did two years ago, and make reports early in the session.

It is my hope that the Finance and Claims Committee of the Senate and the Appropriations Committee of the House will schedule a joint meeting with the Governor and Controller shortly after they are organized in order that the general problem of appropriation requests and estimated income might be discussed and broad outlines arrived at as to how the budget can be balanced. The Controller, as required by law, has submitted to you a balanced budget. But there has been no opportunity for subsequent review.

The Board of Examiners has withheld going ahead with plans for the Executive Mansion, authorized by the 33rd Legislative Assembly, for the reason that it does not feel that sufficient funds were provided.

No doubt your Committees will find ample need for additional funds from the Capitol Land Grant fund to complete renovation of the State Capitol.

The Governor's Mental Health Committee is to be commended for its leadership in acquainting the general public with the needs at the State Hospital at Warm Springs and the State Training School at Boulder. This group has been recommissioned with the charge to have task forces make studies of all of the Custodial institutions.

After adjournment of the 33rd Legislative Assembly, the Board of Examiners, after consultation with representative members of the Senate and House, entered into negotiations for the purchase of a ranch for the Prison. This was in conformity with enabling legislation and an appropriation wisely passed by the 33rd Legislature. The Prison, charged with the responsibility of rehabilitating society's outcasts, now has a solid foundation on which to build a modern prison facility. It is my sincere hope that each and every Legislator will take the time to drive to Deer Lodge and inspect the Prison facilities, as well as study the plans for future rehabilitation of the inmates.

In connection with the rehabilitation program it is mandatory

for this legislative assembly to set up a new Pardon Board in conformity with the amendment to the Montana constitution approved by the voters at the November election. It is also timely to review and revamp the Probation and Parole law and to provide a modern system in conjunction with the new Pardon Board. Information from other states which should prove helpful has been obtained.

In all of the Custodial institutions we must not only think of the increasing numbers which come in the door and create the need for expanding facilities, but we must concentrate more and more on a program which will permit the return to a useful place in society.

The responsibility of these various institutions should not be the concern of a handful of employees and state officials, but of all the people. That is why it seems advisable that this problem which is resulting in an increasing expenditure of the tax dollars should be thoroughly understood. We should not skimp in meeting the demands but neither should we be over-generous.

We should correct the World War II Bonus Law so that the Next of Kin of deceased Veterans will receive a minimum of $500.00. The inadvertent harshness of the present law has caused the next of kin of 3 Pearl Harbor victims to receive nothing and 269 others to receive from $10 to $100.00. Sufficient funds are on hand to pay the entire amount, estimated at $470,000.00.

A serious menace to our society is the motor traffic hazard. All of us believe and preach the doctrine of highway safety. But it was a surprise to the Highway Patrol Supervisor and his staff, more especially the Highway Patrol Board, and certainly to the Governor, to learn that the practice of issuing limited licenses to those convicted of drunken driving had been in vogue for several years. When the implications of that policy became known, an immediate stop was put to the practice. But prior to that time, 843 limited licenses had been issued. Could one blame a patrolman, officer, or Justice of the Peace, for losing his temper when he would see a man convicted for being a menace to the highway, driving as a result of a limited license within a few weeks after his conviction? I am happy to say that now when licenses are revoked, they are revoked, and that there is no special privilege. If we are going to have law enforcement, the same rules must apply to every individual and there must be no backdoors to special consideration.

The Highway Patrol has improved in efficiency in all departments but there is the constant job of acquainting the public with the importance of Highway Safety. The mileage driven increases day by day, but the death rate per hundred million miles of travel

in Montana has been reduced from 9.43 deaths in 1952 to 8.52 deaths in 1953 and 7.59 deaths in 1954.

A substantial increase in appropriation is requested and your Committees will have to analyze the need as against potential revenues. Certainly we cannot relax in our efforts to try and reduce the accident and death toll on the highways. We can indeed be thankful that a reduction was made in 1954.

Several months ago I declared that highway financing constitutes the number one problem in Montana. As indicated previously, the matter of evaluation of tax collection and distribution is an important item and to emphasize its importance I requested a joint session to hear the facts on this question. But for the reason that I think highway finance and your highway program is so important to each and every one of you I again respectfully request, Mr. President and Mr. Speaker, either another joint session to be held in the next day or so to discuss the highway program as it has been operating in the past two years, as well as the recommendations of the Governor's Highway Finance Committee or in such manner as your bodies determine. Continued progress in highway development is a must not only to encourage expansion of our own economy, but to attract tourists.

We have a backlog of approximately 5 million 9 hundred thousand dollars in unmatched Federal aid and increased Federal aid grants indicates our need for an additional 3 million 500 thousand dollars to 4 million dollars per year. The Governor's Interim Highway Finance Committee has devoted considerable time and effort to developing recommendations which I endorse and submit for your consideration. However, this subject is far more important and cannot be dealt with in a few minutes discussion by the Governor in his message. That is why I request that you permit the State Highway Engineer and the Chairman of the Governor's Interim Highway Finance Committee to detail this program to you as quickly as possible. I know that you will find the Highway Commission, the Highway Department and the Governor's Interim Committee ready and willing to give you all possible information.

Actual work placed under contract by the Highway Commission during the calendar year 1954 will approximate 15 million dollars as compared with an average of 11 million dollars per year for the previous 5 years. This has been made possible by increased income, and by savings in Maintenance costs of approximately 675 thousand dollars per year for each of the calendar years 1953 and 1954 as compared with costs per year in 1951 and 1952.

There is much more to tell you but it is difficult to try and cover everything in this short time. I am sure that you will find every state employee ready and willing to give you any information you desire. None of us can shirk our responsibilities. Certainly we want to be fair to labor, agriculture, business and to professional men and women, and all taxpayers. Above all, we must be fair to our children and their children to come.

WE MUST BALANCE THE BUDGET.

WE MUST SUBSTITUTE BUSINESS FOR POLITICS.

We must provide the climate for progress. None of us are miracle men and no one of us can do the job alone; but working together, and with God's help, we can succeed.